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May 30, 1985

Advertising Age Thursday

BOB ABEL

Awards keep piling up for trail-blazing maker of films and tv spots

The creative powerhouse with Wurlitzer juke box in one of the client rooms at Robert Abel & Associates

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In the news

Abel soars with Eagles

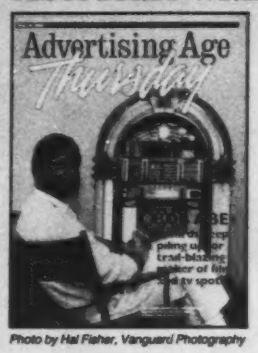

Photo by Hal Fisher, Vanguard Photography

In June, Robert Abel will be the joint recipient of the Golden Eagle Award for outstanding contributions to the visual communications profession—and he will probably add it to the 21 Clios already arranged in his office. But it is only the latest honor bestowed upon a man who has helped to change the way advertising looks, and upon the company he created, Robert Abel & Associates. *See Page 5.*

Creating creative

Clifford Einstein, president-creative director of Dailey Associates, has some tips on encouraging great creativity in agencies. *See Page 6.*

Looking good

Manhattan advertising stylist Rochelle Weithorn primps executives so they will look good for their pictures in company annual reports. "Many executives simply don't know how to dress properly," she says. *See Page 6.*

He'll clue you in

Renowned fictional detective Nero Wolfe's back, and AA's Robert Goldsborough's got him. An agreement with the heirs of author Rex Stout means Wolfe and Archie Goodwin will ply their trade once again. *See Page 35.*

Special Report

Cable Television

Cable tv used to be considered the be-all and end-all in home entertainment, but now it is seen only as a component in today's home media center. In Special Report, starting on *Page 13.*

Photo by Michael A. Marcotte

Advertisers are looking for vivid colors for corporate identification, says Pantone Inc. president Lawrence Herbert, shown here in the Pantone Carousel of Colors during the recent Print '85 Expo in Chicago.

Corporate colors going 'hue-whee!'

By Laurie Freeman

Design

Cyndi Lauper, clothed in crackling yellows and oranges, and Prince, clad in his royal purples, have helped ignite the fashion world as well as pop music.

And now rock stars' flair for whacked-out, vibrantly hued clothes seems to be showing up in the corporate world, too, with companies' logos starting to pop up in a wider range of colors.

Red—any kind of red—still seems to be most companies' color of choice. But close behind as new corporate favorites are bright yellow and orange. Violet and purple also are popular choices today.

Most corporations are not known for following fashion's whims. To the contrary, the majority of marketers tends to rely on the old standbys—reds, deep blues and violets.

"We're finding that those colors are preferred by banks and other financial, more conservative institutions," says Lawrence Herbert, president of Pantone Inc., Moonachie, N.J. "But sometimes. . .they go wild."

He wouldn't elaborate on which companies are planning to take color chances.

It was Mr. Herbert's color communications company that developed the Pantone Color Matching system, which is used internationally by printers to identify specific colors.

The colorful Ms. Lauper.

"Once companies decide on their colors, our only concern is that we can reproduce them on any number of surfaces," he explains. "The deep blues, greens and reds are hard to reproduce because there's a limit on how thick you can lay on the ink."

A company's color selection for its product advertising and packaging is still "pretty much a primitive response," Mr. Herbert says.

The range of colors available now is amazingly varied, making what was once an easy choice a tough one.

Each printer or ink manufacturer also has its own color standards, and colors differ widely from shop to shop.

Yes, roses are red and violets are blue, but it's not always that simple. For example, Anheuser-Busch's logo is a certain Pantone color-coded red, white and blue, which can be easily reproduced by printers nationwide. St. Louis-based A-B turned to Pantone several years ago to standardize its corporate colors.

Poor color reproduction or variations can reflect badly on a company's image, no matter how superior its product may be.

Various organizations, including Pantone, the Assn. of Business Publishers and the U.S. Bureau of Standards, have developed standards for color-coding, injecting some sanity into the confusion.

The need for color standardization is spilling over slowly from the graphic arts and printing industries into the environmental industries—architecture, beauty, fashion and interior design.

"We got 8,000 color samples from designers and, based on their frequency and use, that number quickly dwindled to 1,000 colors, which are 90% of the colors used," Mr. Herbert says.

"Each designer has slight nuances that are really not that necessary—they're whims," he says. "You can't control color reproduction exactly; those nuances are just a waste of time."

Those nuances also can make consumers feel terribly ignorant, Mr. Herbert says, adding, "I'm reminded of the true story of a woman who told her interior designer she wanted buttercup yellow for her kitchen. The designer told her it was bright yellow that she wanted. She just wanted control over what those colors really were."

Presstime

ND assigns brands

NEW YORK—National Distillers Products Co., in dividing its $20 million account equally between BBDO and its newest agency, Laurence, Charles & Free, has identified the brands both will handle. BBDO gains Old Grand-Dad bourbon, formerly at Young & Rubicam, and retains the Gilbey's line, Old Taylor, Old Crow, DeKuyper cordials, CocoRibe coconut liqueur, Kamchatka vodka and the Bellows line. LC&F gains Windsor Canadian and Canada House (both from Y&R), Sauza tequila (from BBDO), Keller-Geister German wine (from Ally & Gargano), Vat 69 and King George IV scotches (both from Y&R) and previously unassigned Talisker scotch.

Time bids on Warner Amex

NEW YORK—Time Inc. and TeleCommunications Inc., Englewood, Colo., reportedly have joined forces in a $750 million bid for Warner Amex Cable Communications Inc., the country's sixth-largest cable systems operator. Other parties said to be seeking control of WACCI include Viacom International and WACCI chairman Drew Lewis, who reportedly plans a leveraged buyout (AA, May 13). A Time Inc. spokesman would not comment on the reports. Time Inc./TCI is said to have topped Viacom's bid by $50 million.

'VF' names publisher

NEW YORK—Guy Douglas Johnston, advertising director at *Vanity Fair*, has been named *Vanity Fair's* third publisher. He succeeds David O'Brasky, who was dismissed May 28 by S.I. Newhouse Jr., chairman, Conde Nast Publications. Mr. O'Brasky, who served since December, 1983, reportedly resigned at Mr. Newhouse's request because of "differing management styles."

BBDO to be picket site

NEW YORK—BBDO's offices here are scheduled to be the site of a demonstration May 31 by trade union workers employed at Black & Decker's Allentown, Pa., plant. The demonstrators plan to protest the proposed closing of their facility by Black & Decker (AA, April 8). BBDO handles B&D's $100 million housewares account.

ISL to market Olympics

LAUSANNE, SWITZERLAND—ISL Marketing, the Lucerne-based international sports marketing company, this week signed an agreement with the International Olympic Committee to handle a worldwide coordinated marketing program for the 1988 Olympics.

RC begins $10 million push

NEW YORK—Royal Crown Cola, Rolling Meadows, Ill., admitting its No. 3 spot in the cola market, broke an aggressive three-week $10 million campaign May 29 via newspapers, radio and network tv. Ten and 30-second spots, themed "Some people will go out of their way for a taste of RC," will continue running after the initial spurt. Dancer Fitzgerald Sample handles.

American holds ads

DALLAS—American Airlines has held back normally scheduled advertising in unspecified mar-

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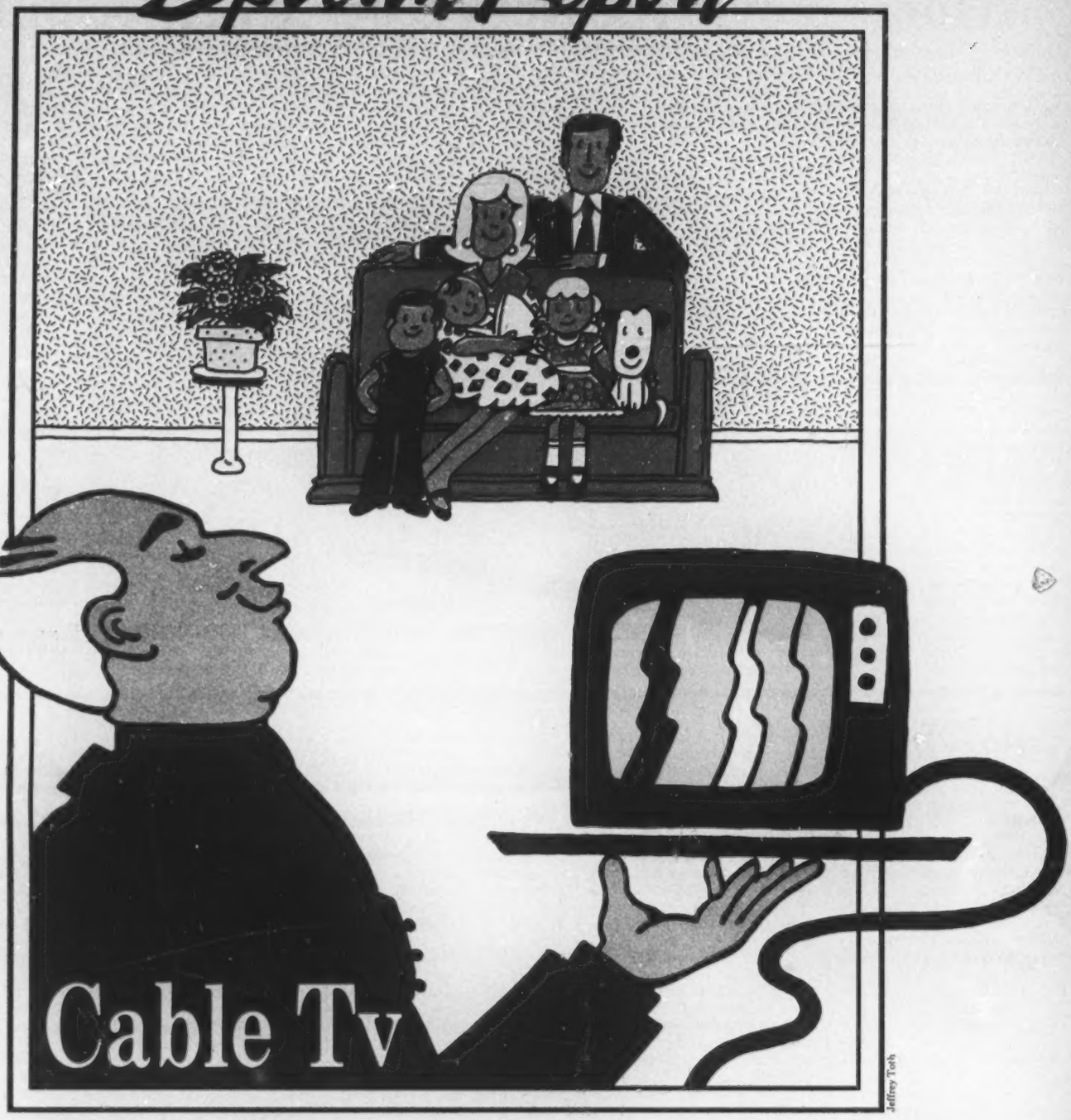
Special Report



Serving varied home entertainment menu

By Mark Trost

For the past 10 years, cable tv has been the filet mignon on the home entertainment menu. But recently, the main course has begun to be overshadowed by a variety of electronic side dishes to enhance and expand cable and video service.

The growth of videocassette recorders even has begun to outstrip the growth of cable subscribers. Vcr units in operation are expected to increase 10 million this year, from 7.3 million units in operation in 1984. Basic cable subscribers are expected to increase from 32.9 million in 1984 to about 36.1 million by the end of this year, according to electronics industry and cable industry sources.

As a result, the wired medium's movers and shakers have realized a set-top 54-channel converter no longer is considered the be-all and end-all in home entertainment. Rather, it now is seen as a component in today's burgeoning home media center.

Today's "liberated viewer," as cable insiders have labeled the multiple-video component owner, has more choices than Aaron Spelling has programs on ABC. From the stereo and cable-ready tv set down to the black box capable of excising commercials unattended, the decision is in the consumer's hands, and cable rates only among the top choices.

The component most responsible for enhanced home entertainment choices is the vcr. The time-shifting marvel is expected to become as common in U.S. tv homes as the tv receiver or cable box.

According to the Electronic Industries Assn., the trade group for consumer electronics marketers, videocassette recorder sales should exceed 10 million units this year—a tally that will result in almost 20 million consumers owning devices that can preserve a Gallagher performance on Showtime or replace a Saturday night Home Box Office movie with one from the local video store.

While the cable industry once shuddered at such numbers and thoughts, they now embrace the rival medium for its ability to maintain subscribers.

Studies from Showtime/The Movie Channel and major multiple system operators have shown a strong supportive relationship between cable and vcr use.

The surveys suggest vcr owners are less prone to cable tv disconnection and more interested in multipay subscribership than non-vcr owners.

The Showtime/TMC survey revealed that 35% of all vcr owners subscribe to pay compared with 21% of nonowners. Among those who receive pay tv, vcr owners averaged 1.7 pay services compared with 1.4 services for nonowners.

Of vcr owners who did not subscribe to pay tv, 28% considered themselves likely to subscribe in the future compared with 16% of nonowners.

Pay tv subscribers with vcrs recorded an average of 1.5 movies a week compared with 1.1 for nonsubscribers. Two-thirds of the movies taped by pay subscribers come from pay channels.

Even the availability of prerecorded cassettes doesn't dim vcr owners' desire to maintain a cable connection. More than half the sample in the study planned to subscribe to pay tv services or rent prerecorded tapes. Of those, 20% leaned toward just subscribing to pay tv,

(Continued on Page 14)

Mark Trost is a free lance writer specializing in consumer electronics and a frequent contributor to Special Report.

Home movie theaters receive bigger billing

By Michael J. Kaplan

Saturday night always has been a weak night for tv viewing. It's a date night, a party night, a night to go out on the town.

But that's changing. With the arrival of cable tv and premium movie channels and the explosion of videocassette recorder sales and tape rentals, Saturday night at the movies is taking on a new importance.

The living room is once again a Saturday night entertainment option.

Even as broadcast executives fret about declining audience ratings, cable networks are jumping at the chance to win these new viewers. Although original programing has taken on greater importance at most cable channels, conventional feature films are still the cornerstone of the peak weekend viewing hours.

At least 10 national cable channels program movies on Saturday nights, including giant Home Box Office with 14.5 million subscribers, the Christian Broadcasting Network, the Disney Channel and American Movie Classics, a new premium channel with just 230,000 subscribers.

To make their films stand out amid the cable clutter and home video options, these networks have evolved a variety of programing and marketing tactics that owe as much to the techniques of local radio and tv outlets as to the formulas of the Big Three commercial networks.

The youngest and smallest of the cable competitors is American Movie Classics, launched in November, 1984, and running on 88 cable systems.

The service is one that concentrates on programing artistically significant films released at least 15 years ago. This programing includes an exclusive arrangement for several hundred RKO films.

During the week, AMC programs its film library by themes. Monday is mystery night, comedy on Tuesday, musicals on Wednesday, and so on. On the weekends, the channel presents the "Hollywood Gold" package, the 10 best films from the preceding week.

"A lot of people miss the old values. They miss films made the old way," says Richard Ballenger, vp-programing for Rainbow Services, operator of both American Movie Classics and Bravo, a premium channel of foreign films with 300,000 subscribers. Both services are based in Woodbury, N.Y. "We try to educate people to appreciate films. That's a part of our appeal."

Mr. Ballenger takes his programing responsibilities seriously.

A five-member screening committee selects the titles and writes brief, historical introductions delivered by an on-camera host.

Audience requests, though

Home Box Office is promoting its weekend movie lineup through on-air promos and cable guide ads, so "people know where they can find the biggest movies of the month."

Michael J. Kaplan is an editor of Video Times.

Serving

(Continued from Page 13)

only 12% expected to just rent cassettes, and 21% planned to do both.

Vcr marketers knew of cable's appeal to their customers long before the Showtime study was released in March. When vcrs began hitting their sales stride in 1980 and 1981, marketers began producing cable-ready models, which could attach directly to the cable wire and receive unscrambled transmissions without a special converter.

This feature made it possible to time-shift among multiple cable channels. Prices for units carrying the feature once topped $800, but the cost for cable compatibility has dropped and capability now is considered almost standard. Cable-ready recorders from Panasonic, Quasar, Sharp, Mitsubishi and others retail for as little as $400. While all do not work with every cable system, standards committees on both video manufacturer and cable industry levels continue to work out specifications so the cable-ready vcr can live up to its billing.

For the true upscale cable consumer, recorders outfitted with high-fidelity playback and recording capacities also are increasing in popularity and dropping in price. Sanyo offers a high-fidelity vcr for about $500, and most suppliers are expected to follow in the marketer's footsteps.

The move is sure to cement the vcr-cable relationship because most recorders have yet to be equipped with additional stereo circuitry allowing them to tape over-the-air transmissions.

Once the vcr is in place, consumers often find it necessary to replace their old tv set with a state-of-the-art receiver.

Most of the high price models being pitched to cable subscribers are high-tech monitor-receivers. These 19-in. and 25-in. glass-fronted monoliths feature over-the-air broadcast stereo reception, an internal stereo system with two side-mounted speakers to allow for direct reception of dual-channel stereo broadcasts and, of course, cable-ready tuning that allows direct access to nonscrambled broadcasts.

Some units also feature a built-in switch that can accommodate both direct cable and cable converter inputs so nonscrambled basic and scrambled pay channels can be selected via the wireless remote control. Most of the sets priced between $800 and $1,200 also include a full range of direct audio-video inputs allowing for connection of a vcr, videodisc player, stereo system, computer and whatever else the engineers can dream up.

Tv sets, vcrs and cable aren't alone on the home entertainment menu. The other selections are each capable of supporting rather than detracting from the interest in cable.

Among the add-ons, stereo systems are one of the first supplementary components the cable subscriber-vcr owner usually places beside his stereo tv. Although his gleaming new set and recorder might have all the internal circuitry needed to render a stereo signal, cable only delivers dual-channel audio for the Nashville Network and Superstation WTBS via fm adapters.

Unlike stereo tv broadcasts, cable stereo broadcasts are not offered over the same wire that attaches to the tv. Thus, the need for a stereo system is inescapable, a fact cable operators are viewing as a means to increase revenues by selling and renting fm adapters.

Slowly rising in acceptance, but far from the critical mass of the vcr, is the videodisc player.

Microwave offers alternative

The next development for cable tv could be no cable.

That's right. The latest home entertainment add-on is wireless cable, a concept some veteran cable tv executives may find a bit upsetting.

Unlike other consumer electronics rivals-turned-friends of the cable industry, wireless cable—multichannel multipoint distribution service, as promoted by New York-based mds supplier Microband—is positioned as a cable alternative.

Currently rolling out in abbreviated form throughout the uncabled areas of New York and its surrounding environs, with Milwaukee, Washington and the lower San Francisco bay area to follow, Microband's "Urbanet" is designed to be everything a cable system is and more.

The technology combines over-the-air broadcast signals with a slate of microwave delivered pay and basic satellite networks to form an ad hoc 33-channel service.

Microband chairman Mark Foster says the system also can deliver many features missing from most of the nation's cable systems, including remote control of impulse pay-per-view, digital stereo, audio, data and two-way communications.

Urbanet, he says, eventually will be offered in the top 30 unwired urban regions where 30 million or so tv viewers least likely to obtain cable tv reside.

Through a variety of joint ventures, Microband has acquired the rights to multiple microwave channels throughout the country, Mr. Foster says, and also holds title to 33 microwave frequencies in the top uncabled markets.

"It's a fact that most of the nation's rural areas and densely populated urban centers will not see traditional cable service due to high construction costs," Mr. Foster says. "Our system meets the needs of many unwired consumers by providing the most popular channels via microwave at a fraction of cable's per-subscriber cost."

Microband has contracted with M/A-COM, broadcast engineers, to design an addressable wireless cable box. The set-top receiver, now being field tested, uses M/A-COM's VideoCipher scrambling technology currently being used by Home Box Office and Showtime. Like these pay giants, Microband wants to make certain only those paying Urbanet its $20 to $30 monthly programing fee plus initial installation charge of $40 to $50 see and hear the programs.

Programing plans for Urbanet are still vague. About the only network expected to be carried on the wireless system is HBO, which Microband has been distributing to uncabled homes for 15 years. In addition to that service, Mr. Foster says the average Urbanet system will carry whatever over-the-air channels are available via standard aerials and a mix of the most popular cable channels.

Despite Urbanet's high flying promises, multiple system operators may want to think twice before selling their systems or halting construction plans for New York's boroughs or Chicago's neighborhoods. Urbanet still has some technological obstacles to overcome.

Multiple mds users with videocassette recorders wishing to tape one mds channel while watching another will not be able to do so. But viewers can tune in a regular over-the-air channel via the vcr while watching an mds network.

Many of the system's advanced features are still to be perfected by M/A-COM engineers. The system currently offered in New York is unscrambled and has no stereo, pay-per-view or data downloading capability. "Late summer or early fall is a more likely target date for these features," Mr. Foster says. And it will be 1986 before Urbanet begins pitching subscribers in most of its markets.

—*M.T.*

considered, hold relatively little weight.

"People ask for films they've seen and enjoyed as children," Mr. Ballenger says. "Quite frankly, a lot of these films just don't hold up. They're very ar-

> **"I'm a movie buff, and I was trying to re-create the feeling of one of those revival movie theaters."**
>
> *—Betty Cornfeld Arts & Entertainment Network*

cane."

The ad-supported Arts & Entertainment Network, New York, owned jointly by Hearst Corp. and ABC/RCTV, also programs for the discerning movie buffs among its 12.5 million viewers.

The Saturday night "Double Feature," the network's only weekly prime-time movie feature, packages a pair of compatible films with cartoons, travelogs and other short subjects.

"I'm a movie buff, and I was trying to re-create the feeling of one of those revival movie theaters," says Betty Cornfeld, programing manager for the "Double Feature" series.

"We put two really good films together, and try to fill it out like the old double bills you would have seen," Ms. Cornfeld says.

The films are picked not only on their individual merits, but also on how well they combine. "We try to put things together in interesting ways," Ms. Cornfeld says. "The films have to play off each other in some interesting way, either thematically or because of the stars."

The four-hour "Double Feature" block, repeated early Sunday morning, is among A&E's highest-rated shows, Ms. Cornfeld says, though she would not disclose the block's ratings. A second four-hour movie block runs Thursday afternoon and is repeated on Friday.

"We're trying to capitalize on Saturday night being a good movie night," she says. "Having a movie on Saturday night is perfect. Most people don't have the time, patience or endurance to sit through two films during the week."

The program is supported by advertising in *TV Guide*, cable guides, newspaper tv listings and Sunday supplements, as well as heavy on-air promotion during A&E's usual fare of series, specials and arts programing.

The advertising generally is keyed to the particular film, rather than the "Double Feature" concept.

"We look for films with star value," Ms. Cornfeld says. "People will watch a movie they don't know if they like the stars."

But what if the film has no stars worth mentioning? That's

Showtime created "Music Mania" package for the premiere of "Footloose."

Rainbow Service offers viewers American Movie Classics and Bravo, featuring foreign films.

the problem frequently faced at USA Cable Network, New York, a broad-based ad-supported network with 29.7 million subscribers whose highest ratings come from cartoons and professional wrestling.

With severely limited resources to acquire a film library, Monia Joblin, USA Cable's director of programing, has created several umbrellas featuring films for the not-so-discriminating film fan.

"The more popular film packages just aren't available to us for one reason or another," Ms. Joblin says.

Instead, lesser films are packaged as "Kung Fu Theatre" (martial arts movies on Sunday afternoon), "Saturday Nightmares" (Saturday night horror and suspense), and a new addition, "Commander USA's Groovy Movies" (Saturday afternoon monster movies).

"It's just dressing up block programing, which every programer does," Ms. Joblin says. "But it aggressively packages it as part of the USA network."

The packages also help viewers get accustomed to seeing certain programing at certain times.

"In our advertising, we try to promote the whole block," says Andy Besch, a USA Cable marketing executive. "The movies are a secondary part of the ads. The concept is what we're trying to sell."

The approach works. Since

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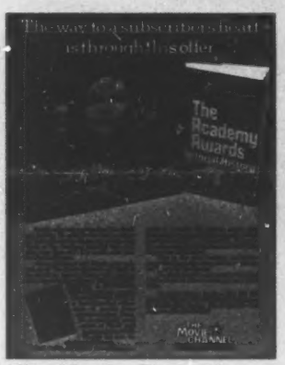


The Movie Channel uses contests and promotions to attract viewers.

With RCA and its defunct CED player all but out of the running, only Pioneer's laser-based unit remains a viable consumer choice for those who like to collect movies and specials.

Industry estimates place 1985 disc player sales at 130,000 units, creating a total disc player population of about 1 million.

The consumer who doesn't want to buy these cable aids separately has his choice of complete audio-video packages. Sony, Sanyo, Panasonic, JVC and others offer soup-to-nuts home entertainment systems featuring stereo-ready monitors/receivers, high-fidelity vcrs and stereo systems complete with state-of-the-art compact disc players all packed in a high-tech rack and ready for action via a single remote control keypad. Prices on such systems begin about $2,000 and escalate to more than $5,000.

Another addition to the media mix not seen in prepackaged systems is the home computer. Despite decreasing interest on the part of cable systems to supply software, the home computer is still thought to have a future as a supporting cable player. According to the EIA, home computer sales (generally those retailing for less than $1,000) will exceed 6 million in 1985, adding to the 11 million already in consumer's hands.

Many electronics industry experts say home computers often wind up as a closet fixture soon after the children tire of Pac-Man. Still, some cable entrepreneurs continue to believe that just as cable can feed the vcr, it also can feed the home computer—someday.

While not true components, video accessories known as "black boxes" also are assisting the cable cause.

Some models can turn a standard tv into a stereo-ready model, improve the picture and sound quality on an incoming signal and even turn a noncable-ready vcr into one that will change channels for unattended recording.

Among the most talked about black boxes of late is the Vidicraft Zapper. The unit, which the company claims to have spent $200,000 developing, is said to be 95% effective in detecting the beginning and end of a commercial. It's currently priced at $400 (a tag that may leave most consumers more than willing to speed through the commercials manually), Vidicraft chief executive officer Alan Guggenheim says an expected price decrease to about $200 will mean a $1 million market for the Portland, Ore.-based company.

This device and others that simplify off-air and cable taping might be blessings in disguise. Although they might not sit well with an advertiser-hungry cable executive looking to assure sponsors that the cable-vcr connection is good for them, they do give more reasons for vcr buyers to remain cable consumers.

Yet another tv add-on rankling cable executives, but one that also may have hidden advantages, is the home satellite antenna.

With more than 1 million backyard earth station receivers in place, mostly in rural areas where cable is unavailable, the $2,000 to $3,000 systems capable of receiving any unscrambled feed from an orbiting domestic satellite, are beginning to invade wired suburban and even urban cable markets.

Cable operators are attempting to get a piece of the action by selling and renting private dishes to customers who would rather get cable programing without the middleman. However, a study by Channel Master, one of the leading suppliers of such equipment, suggests there isn't much to worry about.

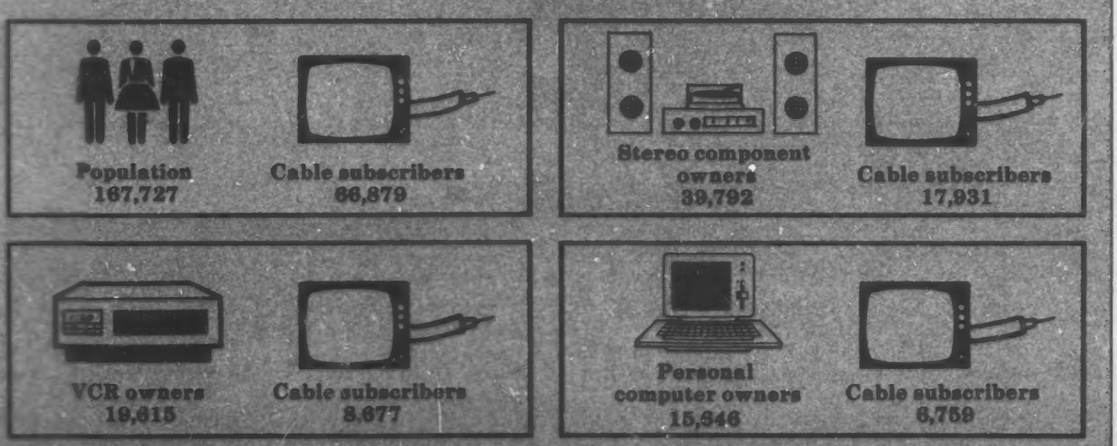
Like the vcr, the black box, the cable-ready vcr and home computer, the satellite dish might be more friend than foe.

"Last year, only 11% of our buyers had access to cable," says Channel Master sales and marketing vp Don Berg. "Today it's 21%. Surprisingly, we've found only a handful of cable buyers said they discontinued service after getting the dish."

Mr. Berg presumes cable retention is because of the superior reception cable gives to over-the-air stations. If that's so, it's a serendipitous twist to the mix because improved reception of local outlets was the original intention of the medium.

Despite the growth of additions to the home entertainment menu, no one believes cable will slip from its position as the main course. After all, the entire notion of an audio-video system, like the idea of a good meal, is compatibility, not competition.

Number of U.S. cable subscribers among owners of various electronics equipment (numbers in millions)



Source: Simmons Market Research Bureau, 1985

Videocassette recorders in operators' arsenals

By Sharon Donovan

Compatiblity—it's a new marketing tactic.

To remain competitive with the growing array of home electronic equipment, cable tv operators are developing technical strategies designed to strengthen the compatibility between their product and home entertainment centers, especially videocassette recorders.

A number of cable operators also are finding that marketing compatibility is increasing their sales.

According to Catherine Rutkowski, director-technical services for the Washington-based National Cable Television Assn., cable operators always have recognized that cable service must be compatible with whatever other electronic equipment subscribers have in their homes. But as new, more affordable generations of vcrs have been marketed, the need for clear-cut compatibility has become essential.

According to research compiled by the Cabletelevision Advertising Bureau, New York, cable subscribers are generally more affluent than nonsubscribers; they are much more likely to purchase electronic equipment for the home than nonsubscribers, and they expect the equipment to be compatible with their cable service.

Studies project that this year, consumers will spend $900 million to rent videocassettes for home viewing, according to Bradley Johnston, vp-engineering, Group W Cable, a division of Westinghouse Broadcasting & Cable, New York. Group W Cable is the third largest multiple system operator in the country with about 2 million subscribers.

Sharon Donovan is a frequent contributor to Special Report on cable tv and other topics.

So consumers obviously are willing to make a hefty investment that they don't want devalued by a maze of incompatible equipment, industry experts agree.

At the same time that the vcr industry is expanding, the market for basic, advertiser-supported cable is also.

Daniel L. Ritchie, chairman-chief executive officer, Westinghouse Broadcasting, says advertiser-supported cable was, in 1984, "the only sector in all of television to grow in audience share—up by no less than 30%."

One important force behind this increase is the spreading penetration of cable.

Nearly 44% of U.S. tv households had cable service in 1984. At the current rate, cable services are adding about 300,000 households a month, which means penetration by 1990 could reach 58% of all tv households.

As cable companies realize that their subscribers' entertainment centers invariably will contain vcrs, they are realigning marketing strategies.

According to Group W's Mr. Johnston, current cable marketing trends lean toward how easily cable services work with a consumer's other home entertainment equipment.

Otherwise, he says, "Group W would be seeking to make itself compatible with other manufacturers' products. But we're not in that business; our business is satisfying our customer, whatever sort of equipment he has. It's a subtle difference, but important, because it keeps our attention focused on our customers."

Viacom Cablevision encourages subscribers with videocassette recorders to tape movies off the channel.

At American Television & Communications Corp., the second largest mso with about 2.4 million subscribers, a similar emphasis is evident in the evolution of its own ad tag lines. Until recently, ATC was very product-oriented, says Steven St. Marie, vp-marketing and programing.

To illustrate, he quotes a former ATC marketing tag: "Television is worth watching," a slogan that clearly highlights tv as a product, he says.

"But compare that to the new tag, 'Everybody loves something about cable,'" which he says is intended to emphasize cable as a service.

"We're marketing ourselves as retailers of a service, not retailers of a product. So as a service industry, we're trying to serve our customers as well as we can, and that includes making sure our services are compatible with what our customers need," he says.

This philosophy is also present at Warner Amex Cable Communications, New York, which has 1.2 million subscribers. Warner Amex assists consumers in connecting new vcrs, according to John Charlton, senior vp-sales and programing.

Like many of his colleagues, Mr. Charlton stresses the need to be "customer friendly."

Warner Amex's marketing strategy is designed to demonstrate that "we're not [viewers'] adversaries in any way, and that no matter how complicated their own setup is, we still want to be sure they're getting high-quality viewing pleasure unimpeded by technical difficulties," he says.

The simplest way to do that, he says, is to eliminate the problem before it begins by offering technical assistance to customers in their homes.

According to David Wilson, vp-marketing and customer services for Viacom Cablevision, Denver, his company is taking similar, basic steps toward heading off customers' potential problems. Viacom is the nation's 10th largest mso with about 785,000 subscribers.

For example, Mr. Wilson says, Viacom Cablevision of Long Island offers a videotape that

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explains wiring techniques. Viacom Cablevision of Cleveland offers written material covering the same subject, he says.

But efforts such as this will be unnecessary in the future if the hopes of the NCTA are realized, Ms. Rutkowski says. Four years ago, the NCTA and the Electronic Industries Assn., the trade association for manufacturers of electronic equipment, agreed to set up a task force to investigate the technical problems underlying compatibility.

"Engineers and research-development people from both associations have been meeting on and off for about the past four years now," Ms. Rutkowski says. Reports on some of their findings will be released at the NCTA conference June 2-5 in Las Vegas.

The task force's main target is to get marketers and system operators to agree on a single interface design to make connection simpler.

Because these technical problems have not been ironed out, the NCTA and the EIA also are co-sponsoring a task force whose goal will be a statement to be attached to merchandise in stores, advising consumers to consider the capabilities of their local cable systems and their current equipment before purchasing new equipment, she says.

Compatibility encompasses more than technical issues. Perception is also important.

"Consider a subscriber who has just bought a vcr and doesn't realize that he can't watch one premium channel at the same time he wants to record off another premium channel, without paying for two connections," Group W's Mr. Johnston says.

After spending a lot of money for a vcr, the subscriber will not feel he's getting his money's worth from his cable, he says.

So according to cable executives, the task is to show the public that cable service and vcrs go hand in hand. A number of cable operators are working to convey this concept.

ATC, for example, has introduced the "cable store" in Shreveport, La., and Orlando, Fla. Located in major malls, the nearly 2-year-old stores offer cable-related merchandise such as MTV: Music Television t-shirts and ESPN baseball caps. A subscriber may also pay a bill there and change service.

In addition to these cable services, the store also offers prerecorded vcr movie tapes for purchase or rental, as well as a line of vcrs for rental only. Prices are reduced for subscribers.

Mike Hugunin, president of Cablevision of Shreveport, an ATC subsidiary, says the cable store is designed to enhance customer service.

"There was some concern, not just here, but in industry generally, that vcr and tape rental would erode demand for cable service," he says. "But this has not occurred. A high percentage of those who belong to the store's video club are also cable subscribers."

Another company testing the perceptual compatibility of vcrs and cable is Denver-based Jones Intercable, the 18th largest operator in the nation with more than 460,000 subscribers.

As of May 1, Jones offers new service in four test markets: Oxnard, Cal.; Jefferson County, Colo.; the Cedarburg and Grafton areas of Wisconsin, and Wapauca, Wis.

For $44.95 a month, the new service offers basic cable, a choice of two premium channels (out of HBO, Cinemax, Showtime, the Movie Channel and the Disney Channel) and a vcr.

Jones Intercable will offer General Electric vcrs, model 6010, normally retailing for $499, with this new service. After three years, the subscriber will own the vcr.

"This test is an aggressive step to respond to the current demands of the home-entertainment marketplace," says Glenn Jones, Jones Intercable president.

"Our decision to go forth with this test marketing comes after lengthy research and integrates both the current popularity of vcrs and our desire to bolster pay service retention."

However, Jones officials have no clear-cut expectations as to how the marketing of vcrs and cable will increase sales. But, like many other cable companies searching for ways to capitalize on the compatibility of cable and vcrs—and improve profit ratios—Jones executives believe such pilot projects are needed if the cable industry is to carve itself an even larger niche on the shelf of consumers' home entertainment centers.

Top multiple system operators

Rank and Base	Basic subscribers	
1. Tele-Communications	3,300,000	(10/84)
2. American Television and Communications Corp.	2,400,000	(12/83)
3. Group W Cable	2,013,000	(10/84)
4. Cox Cable Communications	1,540,533	(10/84)
5. Storer Cable Communications	1,459,000	(10/84)
6. Warner Amex Cable Communications	1,230,000	(10/84)
7. Times Mirror Cable Television	993,789	(11/84)
8. Continental Cablevision	939,000	(10/84)
9. Newhouse Broadcasting	873,198	(11/84)
10. Viacom Cablevision	785,000	(10/84)

Source: Cabletelevision Advertising Bureau

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Channels answer interactive call

By Sallie Rose Hollis

Lifetime network's "Hot Properties" host Richard Belzer gets involved with guests on his cable tv talk show—so much so that a bout with wrestler Hulk Hogan resulted in a concussion and eight stitches in his head. For Mr. Belzer, that is.

He used the incident to his ultimate advantage, and in a subsequent show conducted a poll posing this basic question: Is wrestling sleaze or sport? Eighteen thousand viewers responded. The consensus was it was sleaze.

Sallie Rose Hollis is an associate professor of journalism at Louisiana Tech University in Ruston, La., and a contributor to a previous Special Report on cable tv.

The 18,000 viewer call-ins demonstrates another consensus as well: There's a new entertainment form that's taking off with gusto. It started years ago as the radio talk show, but it has taken on a new dimension. It's talk tv, a marriage of cable tv and the telephone that offers viewers a high level of tv intimacy.

The premise is simple. Viewers call in to offer opinions or to question hosts and guests, using either an 800 (toll-free) or 900 (toll call) number. Such involvement breeds program loyalty, network executives reason.

Cable channels employing this programing strategy run the gamut—Cable News Network, C-SPAN, Financial News Network, MTV: Music Television and, at the top of the list in sheer volume of such programing, Lifetime.

For some it's old news. "We've been doing it since we signed on in 1980," a CNN spokeswoman says. "It's kind of a matter of fact, a way of life around here, we've been doing it so long."

CNN shows promoting call-ins include an hourlong nightly in-depth interview show "Freeman Reports," a two-hour morning show called "Take Two" and the one-hour "Sports Sunday" on weekends. Viewer calls occupy only a small portion of these shows' airtime, the spokeswoman says.

At Lifetime, viewer calls are often the show's reason for being. No calls, no show. But with more than 3,000 people trying to get through to "Good Sex!" host Ruth Westheimer each night, there's apparently no need to fret about that possibility.

Lifetime, New York, was formed Feb. 1, 1984, through a merger of two struggling cable enterprises, Daytime and the Cable Health Network. Its revamped weeknight prime-time programing (77% of the existing 6 p.m. to midnight schedule was replaced) now features what Lifetime president Thomas F. Burchill calls "famous faces or outrageous personalities."

Mr. Burchill says Lifetime's interactive concept "had its genesis in some research that we did where people felt that if they could participate on the phone, the programing would have more impact."

Dr. Westheimer went on the air as a test case in August. The therapist previously had hosted a popular New York radio show. Lifetime merely adopted the concept to tv, "with a lot of caviar," Mr. Burchill says.

Since "Good Sex!" was introduced, it has doubled the network's previous 10 p.m. audience; more than 1.6 million viewers tuned in during a single week in February. In the week after the new lineup was introduced in January, Lifetime's average prime-time audience rose from 67,500 viewers to 112,500, network officials say.

That apparently was no fluke. According to the network, numbers are holding their own, with about 110,000 people leaving their dial set on Lifetime each night—still tiny numbers in the cable world, but a step upward for Lifetime.

The network's shows are designed to touch important facets of viewers' personal lives. "America Talks Back," with Stanley Siegel, cashes in on current issues. "Hot Properties," as the title implies, looks at "what's hot and what's not" in such areas as films, fashions and fun-seeking.

"Regis Philbin's Lifestyles" examines self-improvement techniques for feeling and looking better. And "Smart Money" hosts Fran Tarkenton and Kathleen Campion clue viewers in on how to handle their dollars and make more of them.

The interactive talk show concept has been so successful for Lifetime that the network is discussing adding even more shows that promote this close viewer relationship.

Financial News Network also is looking at enlarging its offerings in the talk tv realm. The channel began using this format with a one-hour weekday program called "Money Talks." Investment experts are interviewed on the program, and the public "is invited to call in with questions or argue with them," a FNN spokesman says.

Without the reciprocal relationship of call-ins, he says, "You may admire the program, but you're not pals." With the personal contact, viewers "become a part of us," he says.

The popularity of "Money Talks" is obvious, according to producer Debby Everett. "There are always people waiting on the line," she says. When the network aired a 13-hour special on Memorial Day in 1984, some viewers watched the entire program. FNN's current talk tv plans center on the May debut of "Sports Talk."

Viewers' potential impact is illustrated perhaps most graphically on MTV.

Friday night video contests, in which two popular recording artists are pitted against each other in phone-in popularity polls, are an MTV staple. But stakes are even higher for the unknown musician in a program titled "The Basement Tapes," aired the second Sunday of each month.

An MTV spokeswoman says network officials screen submissions from musicians with no recording contract and select six videos for each show. "Basement Tapes" viewers phone in their favorites, and the poll winner gets $5,000 worth of recording equipment and a chance to compete with five other semifinalists in six months. The ultimate winner receives a recording contract and $30,000 worth of recording equipment.

Viewers can profit monetarily from participating in the MTV call-ins, too. Last New Year's Eve, a four-hour giveaway show awarded $10,000 to one caller each hour.

So for both viewers and program hosts, this viewer-cable meshing is big business. That thought extends into advertising as well.

Lifetime vp-sales Andrew H. Feinstein says that because the viewer is involved, "that helps the advertiser to get his message better received." Lifetime kicked off a $5 million marketing campaign in the spring, and Mr. Feinstein says the channel is experiencing a substantial increase in advertiser commitments.

Mr. Feinstein would not reveal specific advertising results or revenue gains, but he did say Procter & Gamble had renewed, among others, indicating solid advertiser support.

"Several of our advertisers have taken advantage of 'Lifetime Minutes,' which are 60-second informational tips on topics that are compatible with an advertiser's product," Mr. Feinstein says.

One Lifetime advertiser using this device is General Foods. In 90 seconds, the GF "Shortcuts" offer meal-preparation tips for people on the run.

Mr. Feinstein also says General Foods often will forgo the regular midsegment commercial and merely feature a toll-free phone number offering a free booklet for all such GF recipes.

The toll-free number makes it possible to have a sort of interactive commercial. This idea has been around for some time, but now—with the emergence of the viewer call-in phenomenon on regular programing—some advertisers are asking for their direct response lines to be included strictly within that format. *USA Today*, for example, takes that approach on Lifetime.

Whether the concept of interactive programing as a whole is the wave of the future remains to be seen.

Maybe the caller on "America Talks Back" described the public's sentiment best during a show focusing on the question of whether tv is worthwhile. He said he didn't watch much tv as a rule. Then why was he watching this show, host Stanley Siegel wanted to know.

"People get to speak their opinions," the faceless voice replied. "And I think we should have more of these kinds of shows so you can get the public's opinion. I would call this show 'the entertainment of reality.'"

Top 10 cable advertisers*

Company	1984
1. Procter & Gamble Co.	$17,914,387
2. Anheuser-Busch Cos.	13,171,018
3. General Foods Corp.	10,124,011
4. General Mills	7,482,672
5. Ford Motor Co.	5,601,576
6. Time Inc.	5,493,922
7. Bristol-Myers Co.	5,290,405
8. Toyota Motor Sales Co.	4,861,676
9. Thompson Medical Co.	3,608,438
10. Eastern Airlines	3,334,286

*In the first nine months of 1984, the top 10 advertisers increased their commitment to cable by 24%. These figures are for the four cable networks measured by Broadcast Advertiser Reports (CNN, ESPN, USA, WTBS) and do not reflect other advertiser-supported networks.
Source: Cabletelevision Advertising Bureau

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Industry's deregulated forecast is rosy

By Don Veraska

In the five months since the Cable Communications Policy Act of 1984 took effect Dec. 29, cable officials have not wavered in their belief that the legislation has ensured the industry's health, wealth and security.

Cable fees will rise, offset only by a temporary slip in subscribers, and ad revenue may increase as cable companies improve their stability and marketability, cable industry experts say.

"Over time, deregulation will mean literally hundreds of millions of dollars in earnings to the cable industry," says Edward W. Dooley, vp-public affairs, National Cable Television Assn.

Higher subscriber fees is the first effect of deregulation. Previously, local authorities in franchised areas controlled fees for basic service, and cable companies complained that they were not allowed to increase charges to cover inflation.

The law now allows a 5% increase in basic service price in each of the first two years and total price deregulation as of Dec. 29, 1986, for about 90% of the industry. Local authorities retain price control only in areas serviced by fewer than three over-the-air stations.

"What you've got now is a strengthening of the industry through the establishment of national ground rules for cable instead of a patchwork of local regulations," says Ken Lerer, vp-corporate affairs, Warner Amex Cable Communications, New York.

"We looked at each system individually," Mr. Lerer says of Warner Amex's 104 systems, "and where financially justified, we raised our rates by that 5%. I think maybe it affected about 50% of our subscriber base."

Bruce Clark, vp-director of operations, Colony Communications, Providence, R.I., which serves 54 communities, says Colony generally increased rates by 5% in communities in which rate increases had been denied during the past 18 to 20 months, or by the difference in communities that allowed less than 5% within that period.

What will happen to fees after total deregulation?

First Boston Institutional Investors, an investment banking company, urged investors to purchase cable stocks in a November report. "With deregulation we foresee aggressive price increases in basic service rates that will result in cash flow margin expansion even if pay television revenues erode from current levels," the report said.

Stock prices of publicly owned cable tv companies during the first quarter of 1985 already have increased almost 30%, more than six times the rate of the Dow Jones average, reports Paul Kagan Associates, Carmel, Cal.-based industry consulting and publishing company that tracks cable ad revenues.

Colony's Mr. Clark says that although cable services are undervalued, he believes basic rates will increase by 30% to 50% over a three-to-five-year period.

NCTA's Mr. Dooley says competition for the consumer's entertainment dollar from other tv services will prevent cable companies from pricing themselves out of the market.

Another important effect of rate deregulation will be increased innovations in marketing techniques, such as tiering levels of service offered by cable companies, Mr. Dooley says.

Although the spokesmen for Warner Amex and Colony say they plan no wholesale retiering, Mr. Dooley predicts substantial moves in that direction by many cable systems, including the packaging of cable services into several separate tiers of programing—sports, music and family entertainment.

Robert Alter, president of the Cabletelevision Advertising Bureau, New York, says that as cable is deregulated, marketing will have to be emphasized.

Mr. Alter says the CAB has set up an audience promotion committee to explore how cable networks and systems can work more closely to promote cable service.

"With larger audiences, the systems can charge more for advertising. There's a synergism at work there which can only benefit advertising."

Little consensus appears on how important advertising will be to a deregulated cable industry. Only about 1,000 of the nation's 6,500 cable systems now carry advertising, and in most of those 1,000, advertising amounts to a maximum of 5% to 10% of revenues.

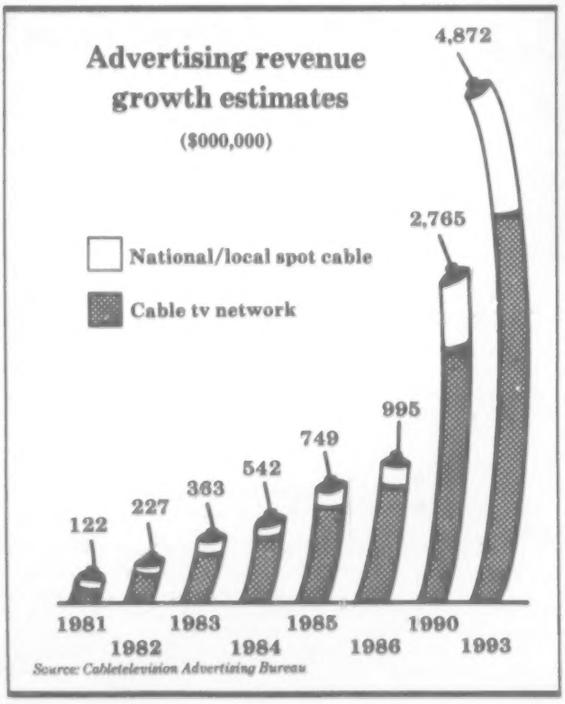
Paul Kagan Associates predicts cable revenue will rise fivefold in the next decade, but no one is suggesting it will make serious inroads into commercial tv ad revenues.

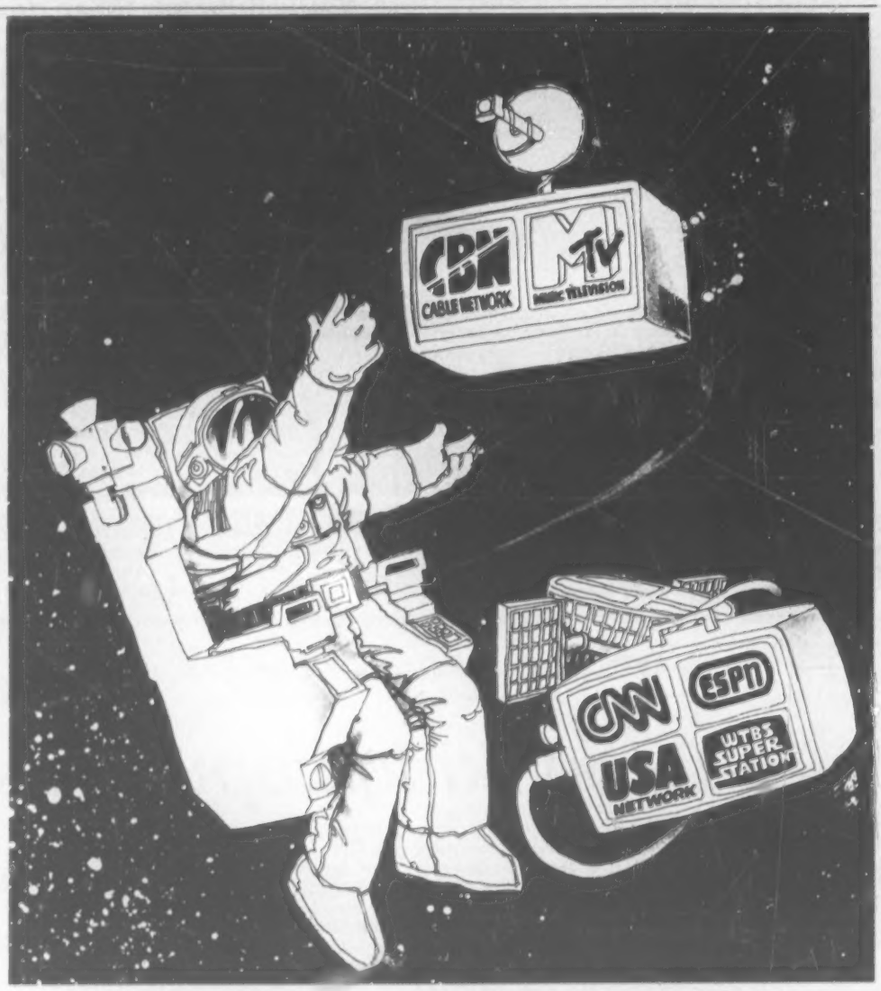
Don Veraska is a Washington-based free lance writer who has been following cable deregulation for Special Report for several months.

Associate editor Len Strazewski coordinated this report on Cable Television.

Coming

Next week Advertising Age's Special Report will focus on Licensing.





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